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Mr. Scott*





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The Annual Meeting of Shareholders of Industrial Minerals of Canada Limited will be held in the Mayfair Room, King Edward Sheraton Hotel, 37 King Street East, Toronto, Canada, on Wednesday, the seventh day of April, 1965, at the hour of 11.00 o'clock in the forenoon (E.S.T.).

	1964	1963	Change
Statement of operations			
Sales—dollars - - - - -	\$2,206,273	\$2,000,318	\$205,955
Operating expense - - - - -	\$1,396,430	\$1,293,733	\$102,697
Operating profit before write-offs - - -	\$ 809,843	\$ 706,585	\$103,258
**—per share - - - - -	\$1.98	\$1.72	\$0.26
Depreciation & amortization - - - - -	\$ 415,700	\$ 426,127	\$ 10,427*
Provision for taxes - - - - -	\$ 135,000	\$ 21,054	\$113,946
Net profit - - - - -	\$ 235,476	\$ 278,410	\$ 42,934*
—per sales dollar - - - - -	11¢	14¢	3¢*
**—per share - - - - -	57¢	68¢	11¢*
Balance sheet			
Current assets - - - - -	\$1,603,962	\$1,506,531	\$ 97,431
Current liabilities - - - - -	\$ 202,186	\$ 238,498	\$ 36,312*
Current ratio - - - - -	7.9:1	6.3:1	—
Working capital - - - - -	\$1,401,776	\$1,268,033	\$133,743
Long term debt - - - - -	\$ 25,332	\$ 34,052	\$ 8,720*
Equity per share - - - - -	\$8.74	\$7.19	\$1.55
Source & disposition of funds			
Cash recovery from operations - - - - -	\$ 651,176	\$ 704,537	\$ 53,361*
**—per share - - - - -	\$1.59	\$1.72	\$0.13*
Dividends - - - - -	\$ 205,000	\$ 164,000	\$ 41,000
**—per share - - - - -	50¢	40¢	10¢
Miscellaneous			
Number of shareholders - - - - -	1,536	1,606	
Number of employees including subsidiaries - - - - -	92	105	

NOTES—

*Decrease

**The issue in December of 410,000 shares doubled the shares outstanding to 820,000. Since the proceeds of the issue were not used in the nepheline syenite operations, these per share calculations are based on 410,000 shares. The corresponding per share figures based on 820,000 shares are:

Operating profit before write-off - - - - -	99¢
Net profit - - - - -	29¢
Cash recovery from operations - - - - -	79¢

Head office

7 King Street East, Toronto 1

Directors

H. J. Fraser - - - Toronto, Ontario

F. Donald Hart - - - Nashville, Tennessee

J. J. Mather - - - Toronto, Ontario

R. C. Mott - - - Toronto, Ontario

W. H. Woods - - - Toronto, Ontario

Officers

H. J. Fraser - - - President

J. J. Mather - - - Executive Vice-President and Managing Director

D. D. Anderson - - - Secretary

J. T. McWhirter - - - Treasurer

Dr. C. J. Koenig - - - Vice-President, Product Development

Sales offices

Canada & Overseas—

7 King Street East, Toronto

Manager—C. M. Woodruff

United States—

American Nepheline Corporation, 4720 Kenny Road, Columbus 21, Ohio

Manager—L. A. Holmes

Subsidiaries

American Nepheline Corporation—wholly owned

Indusmin Limited—wholly owned

Canadian Silica Corporation Limited—92% interest

Transfer agents

Crown Trust Company - - - 302 Bay Street, Toronto, Ontario

Auditors

McColl, Turner & Co. - - - Peterborough, Ontario

Solicitors

Roberts, Archibald, Seagram & Cole - - - Toronto, Ontario



To the Shareholders:

The year 1964 was one of significant growth for your Company. On September 30th, 82.4% of the issued capital of Canadian Silica Corporation Limited was acquired for \$3,300,267. Subsequent purchases increased your Company's holding to 92% by the year end. This represents a major move in the program of diversification.

Canadian Silica Corporation Limited is Canada's largest producer of high-grade silica, one of the most widely used industrial minerals, finding application in a wide variety of industries including glass, ceramics, construction materials, chemical and others. The production and marketing of silica is compatible in every respect with nepheline syenite and the present interests of your Company. The administrative functions of the two companies have been completely integrated which will result in a considerable reduction in the combined head office, administrative, marketing and other costs. The 1964 Canadian Silica report is included for your information.

To finance the acquisition, a bank loan of \$3,650,000 was arranged, accounting for the interest costs of \$40,104 charged against earnings for the year. Subsequently, \$4,100,000 was raised by the issue and sale of 410,000 shares which doubled the issued capital. These monies repaid the loan and replenished the working capital. The additional shares were sold by an offering made to the shareholders in November expiring December 23, 1964, 1 share at \$10.00 for each share held. The parent Company, Falconbridge Nickel Mines Limited, agreed to purchase all shares for which rights were not exercised.

The lime operation at Coboconk was discontinued in May. The loss on operations amounted to \$19,282. The low prices which prevailed, and the extent to which the potential market was dominated by captive sources, forced us to conclude that sales could not reach a level sufficient for profitable operation.

Sales—Nepheline Syenite

	1964	1963	% Increase
Tons - - - - -	175,814	159,133	10.5
Dollars - - - - -	2,088,408	1,846,393	13.1

The average selling price per ton was \$11.87. For comparison the average in 1956, the highest in your Company's history, was \$14.15. Continually rising costs, notable among which was the imposition of sales tax, necessitated increasing by 8% in December the price of the ceramic grades.

The tonnage sold in 1964 exceeded that of 1963 by 16,681 tons. The gains by market area were, Canada 3.8%, export 12.7%.

The 1964 tonnage represents an increase of 10,404 tons (6.3%) over the previous high established in 1956.

Financial Review

EARNINGS	1964	1963
Profit before un-		
denoted charges	\$826,280	\$725,591
Less:		
Depreciation and		
amortization - -	415,700	426,127
Interest on bank		
loans - - -	40,104	—
Taxes - - - -	135,000	21,054
Net - -	<u>\$235,476</u>	<u>\$278,410</u>

WORKING CAPITAL

The cash recovery from operations was \$651,176. An additional \$4,100,000 was obtained from the issue of 410,000 common shares.

Working capital at \$1,401,776 is an increase of \$133,743 over that at the end of 1963.

DIVIDENDS

Dividend payments totalled \$205,000 or 50¢ per share on the 410,000 shares outstanding on the date of record. As noted heretofore, an additional 410,000 shares were issued in December.

date declared	shareholders of record	date paid	amount
2 April	26 May	25 June	20¢
5 November	24 November	15 December	20¢+10¢

STOCK

Market prices Toronto Stock Exchange.

1964— High \$10% Low \$7%

Last recorded sale in December \$9¼

Operations Review

PRODUCTION

Ore Reserves	1964	1963
Assured - - - - -	6,095,000	5,673,000
Reasonably assured - - - - -	639,000	1,090,000
Total - - - - -	<u>6,734,000</u>	<u>6,763,000</u>

Sufficient diamond drilling and geological work was completed to maintain the reserve position.

Mining

Tonnage mined - - -	321,742	
Waste - - - - -	<u>95,303</u>	— 29.6%
Plant feed - - - - -	226,439	

Milling

Product as a percentage of plant feed, 78.7% (over-all recovery). This figure reflects the recapture of some reject materials as by-product.

There were two significant changes in the milling operations. A new product, MINEX 7, was added to broaden our product line for the paint industry. The capacity of the primary mill, producing glass grade, was increased by 15%.

EMPLOYEE RELATIONS

An automatic wage increase of 5¢ per hour went into effect on the 12th of October as we entered the last year of a two-year agreement.

EXPENDITURES FOR PROPERTY AND EQUIPMENT

Total expenditures amounted to \$581,313 consisting of \$113,255 at Nephton and \$468,058 at Ste. Scholastique in Quebec.

The Nephton expenditures were comprised of the following: \$67,000 for additions and modifications to milling plant; \$13,000 for service buildings; \$10,000 for laboratory equipment; \$7,000 for improvements to townsite buildings and the remainder for miscellaneous items of shop and office equipment.

Expenditures at Ste. Scholastique were related to exploration work in the years 1963 and 1964 on a silica deposit in the proximity of the Canadian Silica operations and the subsequent acquisition of surface rights. This deposit, of excellent grade, strengthens our position in the silica business, accordingly the 1964 expenditures of \$468,058 (including \$90,044 for exploration) have been deferred; the 1963 expenditures of \$47,610 were charged to operations.

The expenditures authorized for Nephton in 1965 are \$114,700. The major items are \$75,000 for loading equipment in the quarry and \$25,000 for a warehouse at the bagging plant.

PRODUCT DEVELOPMENT

A total of \$71,579 was spent on product application studies and technical service supporting the sales program, and process development. Technical service including both laboratory work at Columbus and in-plant assistance, was particularly heavy in 1964.

Our technical knowledge as to the application of nepheline syenite in paint was greatly enhanced. Nepheline syenite is an excellent extender pigment competing most satisfactorily with the traditional mineral fillers. The addition of MINEX 7 to the product line will assist the development of sales. Acceptance of a new filler is necessarily slow but gains have been achieved.

In 1965 applications in plastics will receive much attention. The early studies justify thorough evaluation.

Exploration

The 1963 report, without being specific, referred to an extensive diamond drilling program. This related to the exploration of the silica deposit at Ste. Scholastique. An excellent deposit was defined, and surface rights purchased. The feasibility study brought us to the point of decision to go into production. At this time the opportunity arose to acquire control of Canadian Silica. This appeared to be the better way to enter the silica market as our investment would be in an established operation. The deposit was retained as a very important addition to the existing operation.

An option referred to in the 1963 report covered a nepheline syenite deposit in the United States which was dropped after extensive exploration and development work. A feasibility study revealed it would be a marginal operation failing to justify the risk involved.

In 1965, a promising whiting prospect in the West Indies will receive intensive investigation. Preliminary sampling and product evaluation have been completed. The determination of the size and uniformity of the available deposits is the next phase.

Outlook

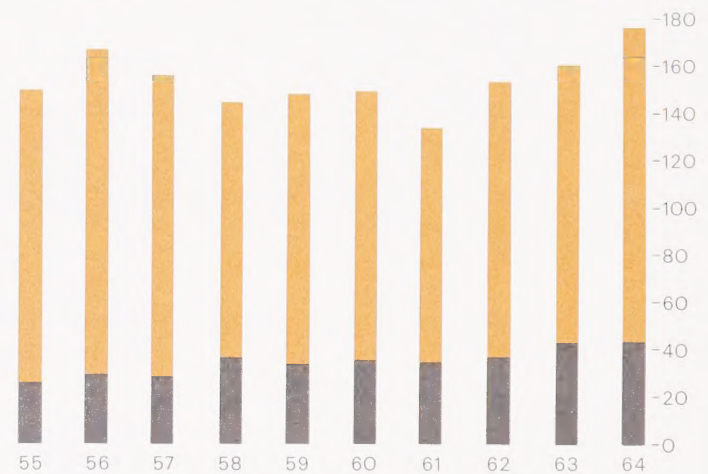
The outlook for 1965 is excellent, sales of nepheline syenite will evidence further growth and the silica operation should record the best results for any year in its history.

Your Directors congratulate the officers and employees for the achievements in 1964.

Respectfully submitted

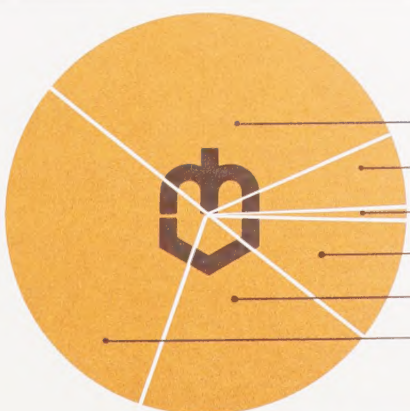
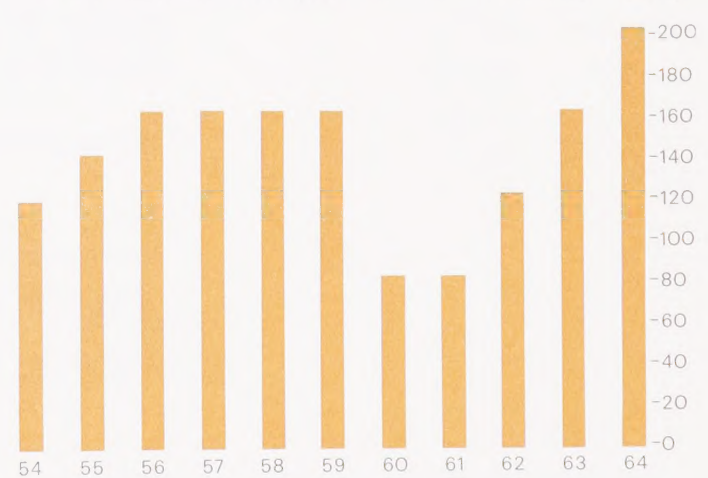
H. J. FRASER

Tons Sold Sales—Thousands of Tons ■ Canada ■ All Other



Dividend Record

Total Dividends Paid \$1,634,000 Dividends—Thousands of Dollars



	1964	1963	Sales Dollar
	%	%	
	34	35	Wages, salaries & employee benefits
	6	1	Taxation
	1	6	Retained & used in the business
	9	8	Dividends
	19	21	Depreciation & amortization
	31	29	Materials, supplies & service
	100%	100%	

Industrial Minerals of Canada Limited

(incorporated under the laws of Ontario) and its wholly-owned subsidiary companies

	1964	1963
Assets		
CURRENT:		
Cash - - - - -	\$ 541,101	\$ 97,800
Short term investments, at cost, approximately market value - - - - -	321,676	666,653
Marketable securities, (market value \$53,900)—note 3 -	1	1
Accounts receivable for product and prepaid freight - -	636,643	632,315
Inventories of crude ore and finished products—valued at the lower of average cost or net realizable value - - - -	91,882	88,232
Prepaid expenses - - - - -	12,659	21,530
	1,603,962	1,506,531
Investment in unconsolidated subsidiary, Canadian Silica Corporation Limited, at cost—note 1 - - - - -	3,847,804	—
FIXED:		
Buildings, plant and equipment, at cost - - - - -	4,645,877	4,541,349
Less accumulated depreciation - - - - -	3,642,412	3,289,223
	1,003,465	1,252,126
Mining properties and land, at cost - - - - -	81,562	81,562
	1,085,027	1,333,688
OTHER:		
Mine and mill supplies, at cost - - - - -	176,878	144,519
Deferred development expenditures, less amounts written off - - - - -	145,904	174,851
Other mining properties and expenditures thereon - - -	531,339	63,281
	854,121	382,651
	\$7,390,914	\$3,222,870

Consolidated balance sheet



as at 31st December 1964 (with comparative figures for 1963)

	1964	1963
Liabilities and capital		
CURRENT:		
Accounts payable and accrued charges - - - - -	\$ 70,001	\$ 210,106
Estimated income taxes payable - - - - -	123,465	20,035
Principal payments on mortgage loans due within one year	8,720	8,357
	202,186	238,498
LONG TERM:		
Mortgage loans, less amounts due within one year - -	25,332	34,052
SHAREHOLDERS' EQUITY:		
Capital—note 4		
Authorized—1,000,000 shares with no par value		
Issued and fully paid—820,000 shares (410,000 shares—1963) - - - - -	6,150,000	2,050,000
Contributed surplus - - - - -	374,964	374,964
Retained earnings - - - - -	638,432	525,356
	7,163,396	2,950,320
Approved on behalf of the Board:		
H. J. FRASER, <i>Director</i>		
J. J. MATHER, <i>Director</i>		
	\$7,390,914	\$3,222,870

Auditors' report to the shareholders

We have examined the consolidated balance sheet of Industrial Minerals of Canada Limited and its wholly-owned subsidiary companies as at 31st December 1964 and the statements of consolidated operations, retained earnings and source and disposition of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and the statements of consolidated operations, retained earnings and source and disposition of funds present fairly the financial position of the companies as at 31st December 1964 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change, with which we concur, explained in note 5.

Peterborough, Canada
15th February, 1965

McColl, Turner & Co.,
Chartered Accountants.

Consolidated statements

for the year ended 31st December 1964 (with comparative figures for 1963)

	1964	1963
Consolidated statement of retained earnings		
Balance at beginning of year - - - - -	\$525,356	\$403,834
Net profit for the year - - - - -	235,476	278,410
Gain on sale of marketable securities - - - - -	82,600	—
Provision for prior year taxes in excess of taxes paid - - - - -	—	7,112
	<u>843,432</u>	<u>689,356</u>
deduct		
Dividends paid during the year - - - - -	205,000	164,000
Balance at end of year - - - - -	<u>\$638,432</u>	<u>\$525,356</u>

	1964	1963
Consolidated statement of operations		
Sales of all products - - - - -	\$2,206,273	\$2,000,318
Cost of products sold - - - - -	1,013,693	973,600
Selling, general and administrative expenses (including remuneration of directors, as such, of \$1,293 in 1964 and \$2,496 in 1963) - - - - -	382,737	320,133
	<u>1,396,430</u>	<u>1,293,733</u>
Operating profit before providing for development expenditures and depreciation - - - - -	809,843	706,585
Development expenditures written off—note 5 - - - - -	53,784	28,947
Depreciation of plant and equipment—note 5 - - - - -	361,916	397,180
	<u>415,700</u>	<u>426,127</u>
Operating profit - - - - -	394,143	280,458
Income from short term investments - - - - -	16,437	19,006
	<u>410,580</u>	<u>299,464</u>
Interest on bank loan - - - - -	40,104	—
Profit before taxes based on income - - - - -	370,476	299,464
Provision for taxes based on income—note 6 - - - - -	135,000	21,054
Net profit for the year - - - - -	<u>\$ 235,476</u>	<u>\$ 278,410</u>

for the year ended 31st December 1964 (with comparative figures for 1963)

**Consolidated statement
of source and
disposition of funds**

	<u>1964</u>	<u>1963</u>
SOURCE OF FUNDS:		
Net profit for the year - - - - -	\$ 235,476	\$ 278,410
Charges against operations for depreciation and development expenditures which did not in themselves require a cash outlay during the year - - - - -	415,700	426,127
Funds derived from operations - - - - -	651,176	704,537
Issue of shares - - - - -	4,100,000	—
Sale of marketable securities - - - - -	82,600	—
Recovery of prior year taxes - - - - -	—	7,112
	<u>4,833,776</u>	<u>711,649</u>
DISPOSITION OF FUNDS:		
Purchase of shares of Canadian Silica Corporation Limited	3,847,804	—
Acquisition of mining properties and deferred development expenditures thereon - - - - -	468,058	203
Expenditures on plant, equipment and mine development -	138,092	218,817
Dividends paid to shareholders - - - - -	205,000	164,000
Increase in inventory of mine and mill supplies - - -	32,359	8,807
Provision for principal payments on mortgage loans due within one year - - - - -	8,720	8,357
	<u>4,700,033</u>	<u>400,184</u>
Resulting in an increase in working capital of - - - -	133,743	311,465
Working capital at beginning of year - - - - -	1,268,033	956,568
Working capital at end of year - - - - -	<u>\$1,401,776</u>	<u>\$1,268,033</u>

Notes to the consolidated financial statements

1. The consolidated financial statements for 1964 reflect the financial position and the results of the operations of Industrial Minerals of Canada Limited and its wholly-owned subsidiary companies, Indusmin Limited and American Nepheline Corporation.

During 1964, the company acquired approximately 92% of the issued shares of Canadian Silica Corporation Limited taking over direction of that company's affairs as of 30th September 1964. The financial statements of Canadian Silica Corporation Limited have not been consolidated in the attached statements, the view of the company being that a more intelligent appraisal of its financial position may be obtained from examination of the financial statements of that company. No portion of the 1964 earnings of Canadian Silica Corporation Limited has been taken in to the income of Industrial Minerals of Canada Limited.

2. Assets and liabilities in currencies other than Canadian dollars have been converted into Canadian dollars at current quoted rates of exchange at 31st December 1964 except fixed assets and the related accumulated depreciation which have been converted at the rates prevailing when the expenditures on fixed assets were made. Revenues and expenses in currencies other than Canadian dollars have been converted into Canadian dollars at the average quoted rates of exchange except that provisions for depreciation have been converted at the rates prevailing when the expenditures on the related fixed assets were made.

3. The company owns 16,100 shares of Quebec Lithium Corporation Limited which shares, at 31st December 1964, have a quoted market value of, approximately, \$53,900.

4. Principally to finance the acquisition of the shares of Canadian Silica Corporation Limited (note 1), the company in 1964 issued 410,000 shares at \$10 per share for \$4,100,000 pursuant to an offer to the shareholders dated 20th November 1964.

5. In 1964 the company amended its policy with respect to the provision for depreciation on fixed assets and the amortization of mine development expenditures. The revised policy substitutes an average useful life of six years for quarry and automotive equipment and twelve years for buildings and other equipment in place of a ten-year life for all plant and equipment. The effect of this change is to reduce by \$46,295 the charges to income for depreciation. In 1964 the company fully amortized the mine development expenditures incurred in that year and has continued to amortize the pre-1964 expenditures at 10%. Since the 1964 mine development expenditures were \$24,837, the net effect of the above expenditures is that the charges to operations for depreciation and development expenditures in 1964 have been \$23,941 less than they would have been had the policy not been amended.

6. As the amounts to be claimed in respect of depreciable assets and development expenditures in determining income subject to taxes for 1964 exceed the amounts written off in the accounts, taxes based on income have been reduced by, approximately, \$25,000 and the net profit increased by the same amount.

The amounts claimed to 1964 under the provisions of the income tax acts in respect of depreciable assets and development expenditures have been greater than the amounts written off in the accounts and have resulted in the deferment of income taxes of \$104,000 as at 31st December 1964.

Ten year statistical summary	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964
Sales - - - - -	\$2,085,363	\$2,336,998	\$2,054,204	\$1,776,088	\$1,814,827	\$1,772,064	\$1,544,247	\$1,827,981	\$2,000,318	\$2,206,273
Profit before write-offs and taxes - - - - -	624,785	735,222	612,313	608,047	561,921	541,586	592,686	631,350	725,502	786,176
Depreciation and Amortization - - - - -	166,043	262,842	389,135	380,575	372,543	364,925	376,940	374,439	426,127	415,700
Corporation Income Taxes - - - - -	154,000	162,000	68,500	67,800	59,000	51,000	70,232	58,702	21,054	135,000
Net Income - - - - -	304,742	310,380	154,678	159,672	130,378	125,661	145,514	198,209	278,321	235,476
Net Income Per Share - - - - -	.74	.76	.38	.39	.32	.31	.35	.48	.68	.29*
Shareholders' Equity - - - - -	2,244,888	2,393,397	2,394,312	2,510,579	2,514,757	2,557,228	2,630,071	2,828,798	2,950,320	7,163,396

*Based on 820,000 shares outstanding as of December 31, 1964. Prior years are based on 410,000 shares.

ceramics and glass
for quality
Nepheline Syenite

Nepheline
Syenite

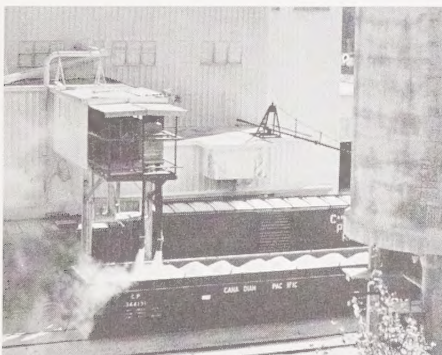
quality glass

MINEX
For Paints

MINEX is a unique slender pigment. It is an anhydrous aluminum silicate combining outstanding features of magnesium silicates and calcium carbonates in one material. MINEX has the high brightness associated with calcium carbonates, the inertness of magnesium silicates, and a specific gravity lower than both. These properties, along with low vehicle demand, ease of dispersion, controlled particle size, as well as many other features warrant evaluation of MINEX products in your laboratory. The use of MINEX-4 (30 microns) and MINEX-7 (15 microns) singly or in combination provides a full range of particle sizes. Investigate and compare.

Product Control
Industrial Minerals
of Canada Limited
1 King St. East, Toronto, Can. M5C 1K2

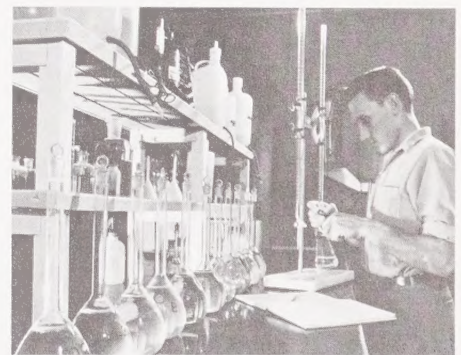
In Canada and the United States these advertisements stress the quality and product improvement achieved with Nepheline Syenite in the glass, ceramic, and paint industries.



OVERSEAS SHIPPING



UNLIMITED RESERVES



RESEARCH
AND QUALITY CONTROL

The above series of advertisements are directed at our expanding European markets. These are currently appearing in English, Italian, French, German, Belgian, and Dutch publications.

AMERICAN NEPHELINE CORPORATION

Technical Centre
4720 Kenny Road, Columbus, Ohio

Directors and officers

Dr. C. J. Koenig - - - *President & Director*
L. A. Holmes - - - *Vice-President & Director*
Dr. R. C. Wilson - - - *Vice-President & Director*
J. H. Turner - - - *Director*
D. D. Anderson - - - *Director*
S. Pfister - - - *Assistant Secretary*

INDUSMIN LIMITED

Head Office
7 King Street East, Toronto

Directors and officers

W. H. Woods - - - *President*
J. J. Mather - - - *Executive Vice-President*
D. McDonald - - - *Director & General Manager*

Production facilities

Nepheline syenite - - - *Nephton, Ontario*

Supervisory personnel

Resident Manager - - - D. Murdy
Mill Superintendent - - - K. Blower
Mining Superintendent - - - R. Mathews
Mechanical Superintendent - - - K. Leidhold
Mine Accountant - - - K. Morley
Quality Control Supervisor - - - J. Kriens
Safety Engineer - - - J. P. Creighton
Customer Services - - - G. H. Taylor
Metallurgical Research - - - H. Maidment

CANADIAN SILICA CORPORATION LIMITED

Head Office—7 King Street East, Toronto

Production facilities

St. Canut, Quebec
Whitby, Ontario

Supervisory personnel

General Manager - - - D. McDonald
Resident Manager - - - B. Fillingham



